

Message Text

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E.O. 11652: GDS

TAGS: ETRN, IR

SUBJ: PAN AMERICAN WORLD AIRWAYS -- GOI DISCUSSIONS ON POSSIBLE
IRANIAN LOAN TO PAN AM

REF: TEHRAN 7735

SUMMARY: PAN AM - IRAN AIR NEGOTIATIONS FOR GOI FINANCIAL AID TO
THE AMERICAN AIR LINE ARE MOVING AHEAD. GENERAL KHADEMI, MANAGING
DIRECTOR OF IRAN AIR, ARRIVES IN US WEEK OF OCTOBER 20 TO CONTINUE
NEGOTIATIONS.

1. REFTEL REPORTED INITIAL DISCUSSIONS BETWEEN PAN AMERICAN BOARD
CHAIRMAN WILLIAM SEAWELL AND GENERAL KHADEMI, MANAGING DIRECTOR,
IRAN AIR, CONCERNING A POSSIBLE LOAN TO PAN AMERICAN TO ASSIST
THAT AIR LINE IN ITS CURRENT FINANCIAL DIFFICULTIES. LOCAL PAN AM
REPRESENTATIVE FRANK GURNEY AND WILLIS PLAYER, SENIOR VICE PRESI-
DENT FOR EXTERNAL AFFAIRS FOR PAN AM, CALLED AT EMBASSY OCTOBER
16 TO BRIEF AMBASSADOR ON CURRENT STATUS OF GOI-PAN AM NEGOT-
IATIONS.

2. PLAYER STATED THAT PAN AM, FOLLOWING BOARD CHAIRMAN SEAWELL'S
VISIT, FURNISHED A VARIETY OF FINANCIAL INFORMATION TO THE GOI FOR
ITS CONSIDERATION. HE SAID THAT HE HAS HAD WITHIN THE PAST FEW
DAYS LENGTHY DISCUSSIONS WITH GENERAL KHADEMI OF IRAN AIR,
MEMBERS OF HIS STAFF, AND WITH MEHDI SAMII, PRESIDENT, AGRI-
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CULTURAL DEVELOPMENT FUND OF IRAN AND PROMINENT IRANIAN FINANCIAL

EXPERT. PLAYER DESCRIBED IRANIANS AS BEING "MILDLY FAVORABLY DISPOSED" TO ASSISTING PAN AM IN SOME FASHION. PLAYER OPINED THAT GOI DISPOSITION TO HELP PAN AM SPRINGS FROM (1) PAST AND PRESENT PAN AM TECHNICAL ASSISTANCE TO IRAN AIR; (2) SHAH'S WILLINGNESS TO ENGAGE IN OVERSEAS LENDING; AND (3) GOI RECOGNITION THAT PAN AM'S DIFFICULTIES IN LARGE PART DUE TO TREBLING OF OIL PRICES PAN AM MUST PAY. SEVERAL POSSIBLE AVENUES THROUGH WHICH IRANIAN FINANCIAL ASSISTANCE TO PAN AM COULD BE CHANNELED HAVE BEEN DISCUSSED, INCLUDING LINE OF CREDIT, GOI EQUITY IN PAN AM, GOI ACQUISITION OF PAN AM-OWNED REAL ESTATE AND GOI JOINGING CONSORTIUM OF US INSURANCE COMPANIES AS PRIME LENDERS TO PAN AM OVER THE MEDIUM TERM.

3. PLAYER EXPLAINED THAT PERIOD OCTOBER TO MAY IS HISTORICALLY A PERIOD OF NEGATIVE CASH FLOW FOR THE AIR LINE. PAN AM HAS ALREADY SECURED FROM US BANKS FINANCING FOR THIS PERIOD 1974-75 IN THE AMOUNT OF \$202.5 MILLION. HOWEVER, PROBLEM EXISTS IN THAT BANKS TECHNICALLY WOULD HAVE TO CEASE LENDING AFTER DISBURSEMENT OF \$70 MILLION IF PAN AM'S NET WORTH DECLINES TO A CERTAIN LEVEL, WHICH APPARENTLY WILL HAPPEN. SINCE A CESSATION OF BANK LENDING TO PAN AMERICAN AND/OR DEMAND BY BANKS FOR PAYMENT OF PAST LOANS IS LIKELY TO OCCUR, NEED FOR SUPPLEMENTAL FINANCING HAS ARISEN. PLAYER WAS OPTIMISTIC THAT RECENT USG ACTIONS TO PERMIT FARE RAISES TO COVER COSTS AND CURTAILMENT OF CHARTER SERVICES DAMAGING TO PAN AM'S PROFITABILITY WOULD EVENTUALLY HELP PUT PAN AM IN THE BLACK AGAIN, BUT THAT THE SIX MONTH PERIOD NOW UPCOMING REMAINS A SERIOUS PROBLEM.

4. GENERAL KHADEMI OF IRAN AIR WILL ARRIVE IN THE UNITED STATES THE WEEK OF OCTOBER 20 WHEREUPON IRANIAN AMBASSADOR ZAHEDI WILL BE BROUGHT INTO THE DISCUSSIONS. PLAYER DID NOT INDICATE WHEN AGREEMENT MIGHT BE REACHED NOR DID HE GIVE ESTIMATE OF AMOUNT OF FINANCIAL ASSISTANCE THAT GOI WOULD MAKE AVAILABLE TO PAN AM, ASSUMING FAVORABLE DECISION IN PRINCIPLE.

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